

THE SC SMALL BUSINESS CHAMBER OF COMMERCE
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To: State Regulation of Public Utilities Review Committee
Fr: Frank Knapp, Jr., President & CEO
Dt: November 17, 2008
Re: COMMENTS ON ENERGY AND ENERGY POLICIES

Since May of 2006, The SC Small Business Chamber of Commerce has been educating the business community and public about climate change and its potential negative economic and environmental impact on our state. The Small Business Chamber has also been involved in the state and national debate as to policies regarding this issue.

Scientists are very clear that human activities are accelerating global warming and the environmental consequences due to the burning of fossil fuels and the subsequent carbon emissions that are the leading cause of global warming.

It is also clear what is in store for our state's economy. Global warming will raise the ocean level destroying the beaches, islands and historic structures that our small business tourism economy relies upon. It will increase the intensity and frequency of hurricanes and storms, thus driving up insurance premiums beyond our coastal and in-land home and business owners' ability to pay. Extreme weather changes will devastate our fishing and hunting venues as well as magnify our drought conditions, costing our state thousands of small business jobs.

It is thus in our—citizens, businesses and governments—best interest to develop energy policies to reduce global warming and do so in a way that minimizes necessary short-term costs, maximizes long-term cost savings, and provides economic opportunities for the business community.

The Federal government will be taking the lead in this area and is expected to adopt some form of cap and trade carbon emission policy that will have financial consequences for all. The Small Business Chamber supports such a program that encourages businesses to conserve and use alternative energy sources while creating new avenues for the private sector to financially capitalize on this new environmental effort. Much of the private sector is rallying around the awareness that destroying our environment and economy is not in the best interest of businesses.

State government also has a leadership role to play. Not only should it be reducing its own carbon footprint, but it also should take effective steps to encourage energy conservation across the state thus reducing the demand for new power generators that necessitate increased energy costs to the consumer. The state should also insist that when new power generators are justified, they do not contribute to global warming and thus be subject to financial regulatory penalties that will further increase the cost of energy.

The following five opinion editorials that have appeared in our state's daily and business publications outline the Small Business Chamber's view on climate change, its consequences and need for well thought out actions.

There are going to be necessary costs associated with preserving our environment. However, costs are investments if they lead to lower carbon emissions that protect our habitat, create new jobs and industry, increase current and future savings due to reduced energy consumption and provide energy independence for our country. Increasing costs that do not lead to these goals is not good for businesses today or tomorrow.

The Small Business Chamber would be pleased to provide oral testimony to the State Regulation of Public Utilities Review Committee.

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Santee Cooper's coal-fired plant bad business decision

by Frank Knapp, Jr.-Guest Column

Published on 7/6/2007, in Charleston Post & Courier.

Santee Cooper's proposed coal-fired plant is a good example of why the public thinks that the private sector does a better job than government in running programs.

Private sector power companies across the country, including Duke Energy and Progress Energy, have made the business decision to turn away from traditional coal-fired plants and toward new technology and conservation. Traditional coal-fired plants are simply a bad long-term investment.

By this fall bipartisan bills to cap carbon emissions generated from burning fossil fuels will be introduced in the U.S. Senate and House. There is more than a good chance that a final congressional bill will be on President Bush's desk by early next year.

All believe that the country is within a few years of a carbon-constrained economy that will have serious financial penalties to encourage minimizing carbon emissions.

Why is this happening? Because there is now nearly universal agreement that global warming is taking place and that humans are contributing to this serious problem. We are already feeling the consequences of the pending crisis in South Carolina.

Insurance companies are raising premiums on businesses and residents along the coast to take into account anticipated stronger ocean storms resulting from global warming. Rising sea levels resulting from global warming are causing more severe beach and structural erosion and thus threatening the state's number one industry —

tourism. The effect on our inland waterways is also being seen. These problems are growing and particularly threaten every coastal business, mostly small businesses and residents' ability to fiscally survive.

Businesses of all sizes are urging Congress to act to cap carbon emissions in a way that encourages businesses to conserve and use alternative energy sources while creating new avenues for the private sector to financially capitalize on this new environmental effort. The private sector is rallying around the awareness that destroying our environment and economy is not in the best interest of businesses.

Then there is South Carolina's government-owned Santee Cooper. According to a recent Post and Courier commentary by Santee Cooper CEO Lonnie Carter, the utility can't find any other way to provide energy to its growing customer base than to build a \$1 billion coal-fired power plant that will release 8.7 million tons of carbon emissions per year.

Ironically, these emissions will contribute to global warming and thus add to the destruction of our own environment and economy, all in the name of cheap energy. Of course, South Carolina will pay dearly for the consequences of this poor business decision and either the Santee Cooper customers or possibly the state taxpayers will probably be forced to pay big financial penalties to the federal government. So much for cheap energy.

No one is denying that Santee Cooper will need additional energy production to meet growing needs in the future. But no one should want our state-owned power company to add to the future demise of our environment and economy.

If Santee Cooper were a private utility, the Public Service Commission would regulate the power company. Then the business community, environmental groups and the public would have the ability to directly influence Santee Cooper's decisions. But the commission has no jurisdiction over this state agency.

Thus, it is time for Gov. Mark Sanford, who appoints the Santee Cooper board members, and our legislators to take control of this pending debacle before it is too late. There are numerous other better business decisions for Santee Cooper at this time. We need elected leadership to help the agency find these solutions.

You've heard politicians say that government should be run like a business. In this case, it can and should.

Frank Knapp Jr. is the president and CEO of The S.C. Small Business Chamber of Commerce.

Global warming threatens small businesses

by Frank Knapp, Jr.--Guest Columnist
Published on 11/1/2007, in The State.

Mark Kent's prediction that our state's dwindling manufacturing base would be further imperiled by "cap and trade" legislation overlooks the effect doing nothing has on small businesses.

Mr. Kent is a past chairman of the S.C. Manufacturers Alliance, and his concern for our state's large manufacturers is understandable ("Cap and trade's industrial risk," Oct. 20). However, his arguments against cap and trade — a proposal to address global warming through a market-based program to reduce carbon emissions — appear to preclude any aggressive U.S. action on global warming. The consequences of inaction are not good for small businesses.

One negative impact to small businesses, especially along our coast, for doing nothing or little to rein in global warming is already being felt — higher insurance costs. Carriers are already building more violent storms into their models. If small business can't afford such insurance, their existence is threatened.

Mr. Kent cites a study that predicts up to 24,000 of our state's manufacturing jobs could move to other countries by 2020 due to higher operating costs if a cap and trade policy was enacted here but not in competitor nations such as China or India. The problem is that regardless of our environmental policy, South Carolina is already on track to continue to lose thousands of manufacturing jobs, due largely to the self-imposed search for cheaper labor by members of Mr. Kent's own organization.

Additionally, many of the largest national manufacturing companies such as General Electric support a cap and trade policy for the United States. Interestingly, the General Electric plant in the Greenville area employs thousands to manufacture wind turbines that will play a role in our national effort to fight global warming.

We also need to be concerned about our No. 1 industry, tourism, which is growing. The thousands of South Carolinians who work in this mostly small-business industry definitely face unemployment from uncontrolled global warming resulting in higher sea levels that will destroy beaches, barrier islands and our ocean-front structures and landmarks. With the collapse of this vital industry, all the small businesses that feed off these tourism dollars, from construction to retail, will be devastated, causing even more unemployment.

Mr. Kent also states that our efforts to control global warming won't be effective because of the lack of efforts in other developing countries. He flatly states "these economic competitors have no intentions of imposing cap and trade-style regulations on their industries."

I have no idea how Mr. Kent is so confident in his conclusion. It should be clear to all of us that we, the entire world, are in this together. There is no reason to believe that the leaders of any country are not concerned about the world they will leave to their children and grandchildren.

If the United States leads by declaring war on global warming and demonstrates how our economy can thrive from new, environmentally friendly technology and energy sources, our competitors will follow as they always have.

Instead of peddling fear of higher business and personal costs, we need to understand that addressing global warming as a national priority will create the opportunity for new and better jobs, higher standards of living and preservation of a livable state, country and world for future generations.

Getting to this point will take a national discussion of alternative proposals in order to find our leadership path. To facilitate this discussion in our state, the S.C. Small

Business Chamber of Commerce will hold a teleconference for the media on market-based solutions to global warming. Our organization has not taken a position on any specific proposal such as cap and trade, but we do believe that educating others and ourselves is vital to addressing the problem

By educating those who deliver information to the public, we intend to counter fear-based inaction with market-based opportunities available that can lead to both a growing economy and a sustainable world.

Mr. Knapp is president of the S.C. Small Business Chamber of Commerce and can be reached at sbchamber@scsbc.org.

Do Energy Conservation The Right Way

by Frank Knapp, Jr., Guest Column

Published on 3/3/2008, in GSABUSINESS.

Last month I flew to Tulsa, Oklahoma, to be featured in an upcoming television advertisement for the organization Environmental Defense along with Robert Lane, the Chairman of the 53,000-employee Deere & Company, and Alexander M. Cutler, CEO of the 64,000-employee Eaton Corporation.

Mr. Lane, Mr. Cutler and I were asked to be in the ad because of our concern about climate change and the threat that global warming poses to our nation's environment and economy.

Global warming will raise the ocean level destroying the beaches, islands and historic structures that our small business tourism economy – South Carolina's number one industry – relies upon. It will increase the intensity and frequency of hurricanes and storms, thus driving up insurance premiums beyond our coastal and in-land home and business owners' ability to pay. Extreme weather changes will devastate our fishing and hunting venues, costing our state thousands of small business jobs.

It is because of these threats that The South Carolina Small Business Chamber of Commerce is working with organizations like Environmental Defense to educate the business community about the threat of global warming and the opportunities we have to meet this threat head-on.

Like Mr. Lane, Mr. Cutler and many others in the business community, I believe that solving this crisis will create opportunities for businesses of all sizes that will result in job growth and invigorate our faltering economy. In the ad we advocate that Congress jumpstart the nation's development of clean energy technologies by capping greenhouse gas pollution. By building these technologies and emphasizing energy conservation, we will protect our environment while growing our economy.

To mobilize our state and nation to undertake the energy conservation mission, we must make sure that our efforts will allow consumers to see reduced energy costs. If we do energy conservation right, consumers will approve of the efforts and participate eagerly. If we have the wrong programs and consumers feel that they are paying and sacrificing more to benefit only the energy producers, our efforts to promote conservation will fail.

Working with a group of environmental organizations – the Southern Environmental Law Center, South Carolina Coastal Conservation League, Environmental Defense and Southern Alliance for Clean Energy-- I testified last month before the S.C. Public Service Commission about Duke Energy's proposed Save-A-Watt program.

While Duke Energy should be applauded for the company's leadership in advancing the concept of energy conservation as a way to combat global warming, the proposed Save-A-Watt program has serious flaws.

For one thing, Duke Energy's energy conservation target is far too low compared to successful programs in other states. What's more, the proposed rate increase far exceeds what is necessary to cover operating costs and give the company a reasonable return on investment. This makes cost savings to participating consumers minimal.

Finally, while it will be easy for residential and large business customers to easily participate in the Save-A-Watt program, it will be hard for small businesses to do so. Large business customers will even be able to "opt out" of the program if they show they have already implemented conservation measures, but small businesses will not be allowed to do the same. Adding insult to injury, small businesses will still be forced to pay higher rates for the program's operation.

Unless these flaws are corrected, the Save-A-Watt program would soon lose consumers' support due to failure to deliver energy conservation and cost savings. While Duke Energy's shareholders would benefit from the program, customers would see little or no benefit in terms of reduced electric bills. The result would be a backlash against energy efficiency and a setback for those of us who have worked hard to promote solutions to global warming in which everyone is a winner.

Fortunately, the S.C. Public Service Commission is keeping the process open to more information before arriving at a decision about the Save-A-Watt program. This additional time might afford the contesting parties the opportunity to reach an agreement in this matter.

South Carolina has a lot to gain with energy efficiency—and a lot to lose if energy efficiency programs don't deliver real results in terms of energy savings and greenhouse gas reductions.

Duke Energy's Save-A-Watt program can be modified to do energy conservation right by conserving more energy at a fair cost and be a successful model for other energy companies, other service areas and other states

Mr. Knapp is the president and CEO of The S.C. Small Business Chamber of Commerce (www.scsbc.org).

Good jobs and conservation fit naturally in state

by Frank Knapp, Jr & Ben Gregg –Guest Editorial
Published on 6/20/2008, in Charleston Post & Courier.

On the next-to-last day of this year's state legislative session in Columbia, a good deal of time was consumed in discussing a bill that seemed pretty esoteric to the

uninitiated. The legislation partially dealt with construction permits and how many days were needed for a party to receive notice for a hearing on the possibility of work commencing once a permit is issued.

The provision applies only in a few cases a year that a permit is appealed by a business, adjacent landowner, home owner group or conservation organization. Conservation groups opposed the reduction of time while a multitude of lobbyists representing big business were supporting the effort to reduce the time from 15 days to only three days.

As arguments from both sides were aired, one senator accused conservationists of "not creating one job for South Carolina."

Possibly, this observation was made in the heat of debate and not intended to be belittling. Yet the statement accurately reflects how some of our elected leaders often perceive a distinction between business interests and conservation interests. In 21st century South Carolina, that view is a mistaken one.

The reality is that tens of thousands jobs in South Carolina, mostly from smaller, family-owned businesses, are dependent on the clean and healthy South Carolina conservationists seek to protect.

Tourism, agriculture, forestry and outdoor recreation combined employ more South Carolinians than any other industry. No one can deny that clean air and water along with our natural beauty directly influence the success of these industries and thus the economic success of our state.

It is easy to see the impact of tourism, agriculture and forestry on jobs and our economy. Outdoor recreation is harder to pin down. However, a study released by the U.S. Fish and Wildlife Service this past December shows the tremendous economic power of just one aspect of the outdoor recreation industry — hunting and fishing.

According to this report, South Carolina has 595,000 hunters and anglers who spend more than \$1.8 billion a year on their sports. This spending directly supports 32,700 jobs in our state, more than the combined numbers employed by the University of South Carolina, BMW, Computer Sciences Corp. and Siemens Diesel.

Hunting and fishing pumps \$4.8 million a day into our state's economy and generates \$182 million a year in state and local taxes. This is impressive for this largely invisible industry.

But that's typically the way small businesses, which dominate our tourism, fishing and hunting sectors, operate. These small business owners go to work every day alongside their employees, provide their goods and services to the public and hope at the end of the year that they've been profitable.

They're not flashy and seldom command the reverence of politicians who often view only big business as worthy of a place at the economic development table.

And as mentioned earlier, tourism, agriculture, forestry and outdoor recreation have one other thing in common. They need conservation organizations to help protect the environment that they depend on for their success.

So the next time you hear a conservation group being concerned about an issue, remember that tens of thousands of South Carolina jobs and thousands of small businesses rely on their efforts.

Frank Knapp is the president and CEO of the S.C. Small Business Chamber of Commerce. Ben Gregg is the executive director of the S.C. Wildlife Federation.

Environmental legislation will grow the economy

by Frank Knapp, Jr.--Guest Editorial

Published on 7/1/2008, in The Greenville News.

The United States Senate recently failed to advance arguably one of the most important pieces of legislation Congress has ever considered. The Lieberman-Warner Climate Security Act not only held the promise of preserving our endangered environment for future generations, it also presented huge opportunities for supercharging our flagging economy while delivering our country true energy independence.

So it was unfortunate that opponents of innovative action to deal with climate change and America's oil addiction were successful in using the same old tactics to scare people, and enough senators from supporting common-sense legislation.

These critics are saying that efforts to combat climate change and protect the environment will come at the expense of economic growth and cause record energy prices. The irony of our situation now is that we are already experiencing record energy prices precisely because we don't have a long-term plan for energy independence. Further, there is no evidence that environmental regulations have ever slowed the American economy.

In fact, 40 years of economic expansion in the American economy since the passage of environmental laws like the Clean Air and Clean Water Acts prove these critics wrong. Since 1970, the gross domestic product (GDP) of the United States has tripled -- hardly the picture of an economy hobbled by environmental laws.

The reason for the economic growth is the resilience of America's businesses. Large and small businesses alike adapt to new realities and seek opportunities to profit from changing situations -- even regulations. Small businesses and entrepreneurs are often the best to quickly adapt and fulfill new business niches in order to grow and prosper.

Addressing the current environmental crisis of global warming will produce this same outcome. Many business analysts believe the economic leaders of tomorrow will be those companies that can manage their resources efficiently and take leadership roles in developing and commercializing technologies that will help solve climate change.

We are already starting to see the potential for growth in Greenville. GE has a new plant dedicated to producing the wind turbines that will harness clean energy for communities around the country. According to a Department of Energy analysis for wind energy, the turbines needed to produce it could account for 20 percent of U.S.

electricity by 2030.

It is important to remember that a wind turbine uses 8,000 parts, from ball bearings and copper wiring to concrete foundations, steel frames and towers, and composite fiberglass blades -- more than 5,000 tons of steel for an average-size 44 MW wind project, 609 tons of composite fiberglass and 12,470 tons of concrete. This large business venture requires not only thousands of employees but also the support of many small business suppliers.

Future passage of legislation like the Lieberman-Warner Climate Security Act is the most significant opportunity we have to accelerate demand for alternative energy technologies like wind turbines at an economy-wide scale. The law will encourage companies to invest in and produce new energy sources and technology by putting a cap on carbon emissions. Under the legislation, emissions are reduced using a market-based system for specific industries that allows companies that exceed their quota to sell emission credits, and companies that fall short to purchase emissions credits.

Fighting global warming doesn't need to be a drag on the economy. When Congress puts a price on carbon emissions, it will trigger one of the biggest waves of new investment in history. I am confident that as we protect our environment, achieve energy independence and redirect our economy toward new efficiencies, small businesses will not only survive -- they will thrive.

Mr. Knapp is the president and CEO of The SC Small Business Chamber of Commerce.